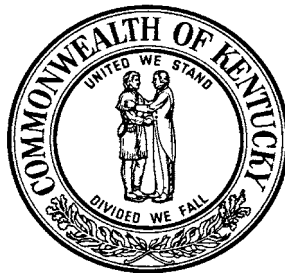


**REPORT OF THE AUDIT OF THE  
FORMER GARRARD COUNTY  
CLERK**

**For The Period January 1, 2002  
Through January 5, 2003**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FORMER GARRARD COUNTY CLERK**

**For The Period January 1, 2002  
Through January 5, 2003**

The Auditor of Public Accounts has completed the former Garrard County Clerk's audit for the period January 1, 2002 through January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees increased by \$2,446 from the prior calendar year, resulting in excess fees of \$77,813 as of January 5, 2003. Revenues increased by \$62,652 from the prior year and disbursements increased by \$59,229.

#### **Report Comment:**

- Lacks Adequate Segregation Of Duties

#### **Deposits:**

The former Clerk's deposits were insured and collateralized by bank securities or bonds.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable E. J. Hasty, Garrard County Judge/Executive  
Honorable Shelton Moss, Former Garrard County Clerk  
Honorable Stacy H. May, Garrard County Clerk  
Members of the Garrard County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Clerk of Garrard County, Kentucky, for the period January 1, 2002 through January 5, 2003. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Clerk for the period January 1, 2002 through January 5, 2003, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
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In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2003, on our consideration of the former County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 18, 2003



GARRARD COUNTY  
SHELTON MOSS, FORMER COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Period January 1, 2002 Through January 5, 2003

Receipts

State Fees For Services	\$	7,809	
Fiscal Court			8,114
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	322,618	
Usage Tax		479,070	
Tangible Personal Property Tax		994,720	
Lien Fees		4,206	
Licenses-			
Fish and Game		8,187	
Marriage		4,347	
Occupational		50	
Miscellaneous		542	
Deed Transfer Tax		51,103	
Delinquent Tax		166,094	2,030,937
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	12,649	
Real Estate Mortgages		39,440	
Chattel Mortgages and Financing Statements		42,070	
Powers of Attorney		860	
Releases		13,653	
All Other Recordings		6,514	
Charges for Other Services-			
Candidate Filing Fees		900	
Copywork		3,176	119,262
Other:			
Postage	\$	911	
Refunds		5,970	
Miscellaneous		2,038	8,919
Interest Earned			1,224
Total Receipts			\$ 2,176,265

The accompanying notes are an integral part of this financial statement.

GARRARD COUNTY  
 SHELTON MOSS, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Period January 1, 2002 Through January 5, 2003  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	248,518	
Usage Tax		466,170	
Tangible Personal Property Tax		383,601	

Licenses, Taxes, and Fees-

Fish and Game		7,898	
Delinquent Tax		19,460	
Legal Process Tax		14,270	
Candidate Filing Fees		330	
		<u>330</u>	\$ 1,140,247

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	69,250	
Delinquent Tax		13,407	
Deed Transfer Tax		<u>48,548</u>	131,205

Payments to Other Districts:

Tangible Personal Property Tax	\$	501,811	
Delinquent Tax		<u>89,178</u>	590,989

Payments to Sheriff 1,647

Payments to County Attorney 25,266

Operating Disbursements:

Personnel Services-

Deputies' Salaries 94,671

Contracted Services-

Printing and Binding 26,064

Materials and Supplies-

Office Supplies 9,024

The accompanying notes are an integral part of this financial statement.

GARRARD COUNTY  
 SHELTON MOSS, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Period January 1, 2002 Through January 5, 2003  
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges-		
Miscellaneous	\$ 2,904	
Training	178	
Dues	854	
Refunds	6,471	
NSF Checks	3,017	
Postage	57	\$ 13,481
Total Disbursements		\$ 2,032,594
Net Receipts		\$ 143,671
Less: Statutory Maximum		62,258
Excess Fees		\$ 81,413
Less: Expense Allowance		3,600
Excess Fees Due County as of January 5, 2003		\$ 77,813
Payments to County Treasurer - March 6, 2003		77,813
Balance Due at Completion of Audit		\$ 0

The accompanying notes are an integral part of this financial statement.

GARRARD COUNTY  
NOTES TO FINANCIAL STATEMENT

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at January 5, 2003.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the year.

GARRARD COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 January 5, 2003  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the former County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of January 5, 2003, the former County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former County Clerk's agent in the former County Clerk's name, or provided surety bond which named the former County Clerk as beneficiary/obligee on the bond.

Note 4. Leases

The Clerk's office is committed to the following lease agreements as of January 5, 2003:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance January 5, 2003
Computer Hardware	\$ 1,322	60 Months	January 2004	\$ 15,864
Computer Software	\$ 800	60 Months	January 2004	\$ 9,800
Payroll System	\$ 50	35 Months	January 2004	\$ 600

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COMMENT AND RECOMMENDATION





GARRARD COUNTY  
SHELTON MOSS, FORMER COUNTY CLERK  
COMMENT AND RECOMMENDATION

For the Period January 1, 2002 Through January 5, 2003

STATE LAWS AND REGULATIONS:

None.

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

The former Clerk's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. The following compensating controls could have been implemented to offset this internal control weakness:

- The former Clerk could have periodically compared a daily bank deposit to the daily checkout sheet and then compared the daily checkout sheet to the receipts ledger. Any differences could have been reconciled. He could have documented this by initialing the bank deposit, daily deposit, and receipts ledger.
- The former Clerk could have compared the quarterly financial report to receipts and disbursements ledgers for accuracy. The former Clerk could also have compared the salaries listed on the quarterly report to the individual earning records. Any differences could have been reconciled. The former Clerk could have documented this by initialing the quarterly financial report.
- The former Clerk could have periodically compared invoices to payments. The former Clerk could have documented this by initialing the invoices.
- The former Clerk could have periodically compared the bank reconciliation to the balance in the checkbook. Any differences could have been reconciled. The former Clerk could have documented this by initialing the bank reconciliation and the balance in the checkbook.

*Former County Clerk's Response:*

*None.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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**Report On Compliance And On Internal Control**  
**Over Financial Reporting Based On An Audit Of The Financial**  
**Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the former Garrard County Clerk for the period January 1, 2002 through January 5, 2003, and have issued our report thereon dated March 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the former Garrard County Clerk's financial statement for the period January 1, 2002 through January 5, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the former Garrard County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 18, 2003

